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STATE FOR WHA/CAR (WBENT), WHA/EPSC (JSLATTERY)

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SUBJECT: JAMAICA BRACING FOR STORMY INDUSTRIAL RELATIONS
IN 2006

11. (U) Summary: Jamaica is bracing itself for one of its most tumultuous years regarding industrial relations. With approximately 48 unresolved wage disputes carrying over from 2005 and with many contracts expiring in March, work stoppages may prove common in 2006. Already seen in the bauxite sector, this phenomenon could spread to other sectors of the economy as workers seek compensation for three consecutive years of double-digit inflation and a memorandum of understanding (MOU), which froze public sector salaries in 2004. While trade unionists have predicted that 2006 will be a challenging year, Portia Simpson-Miller's elevation to Prime Minister could calm the industrial relations climate, at least for a time. As a former Minister of Labor, some union leaders have already welcomed her election. Her popularity, however, will be contingent on her perceived sympathy to the workers' cause. End summary.

Background

12. (U) Current disputes and work stoppages in Jamaica suggest that 2006 is shaping up to be one of the most turbulent in recent times. 48 unresolved disputes carried over from 2005, and there is the pending expiration of a number of collective wage agreements. Higher-than-predicted inflation - with prices rising an average of 12 percent during the last three years - and the imminent expiry of the GOJ's MOU with public sector workers will only add fuel to the situation. As early as January, Vice President of the National Workers Union (NWU) and chief negotiator in the bauxite sector, Norman DaCosta, predicted that with many contracts expiring and workers in a militant mood, stoppages and strike action could become a recurring feature in 2006, a sentiment echoed by many of his trade union colleagues.

Bauxite Sector

13. (U) DaCosta's prediction appears prescient, as bauxite companies and unions have been locked in tense and sometimes heated negotiations. The foundation for a

difficult 2006 was set from the moment bauxite companies reported record production and revenues for 2005. DaCosta immediately expressed disappointment at the protracted labor negotiations with bauxite companies when the industry was doing well. "The ability of the sector to pay is not in question, yet workers are earning less than they did in 1998 in US dollar terms," he asserted. DaCosta told emboff that the most recent adjustment at Alumina Partners (ALPART) amounted to USD 80 million or an average of USD 64,000 per worker. However, he was quick to clarify that this was not an increase, but an adjustment to 1998 salaries in US dollar terms. DaCosta further noted that the industry was more than able to pay given the unprecedented demand and prices for its product.

¶4. (U) In late 2005, a 72-hour strike notice was served on the management of Jamaica Aluminum Company (JAMALCO). Strike action was temporarily averted through the intervention of Minister of Labor Horace Dalley. On January 16, however, the union took action, and threatened to request solidarity from other plants in the sector if workers' demands were not met. The dispute was forwarded to the Ministry of Labor (MOL) for mediation and settled on March 12. On February 5, ALPART workers followed suit, despite an order from the Industrial Disputes Tribunal (IDT) for the employees to return to work. DaCosta opined that defying the IDT order was best for the workers and ultimately best for the nation. The defiant workers eventually returned to work on February 9 after agreeing to a 32 percent increase in salaries and benefits amounting to USD 80 million.

¶5. (U) The tension in the sector escalated even further when DaCosta became embroiled in a dispute with West Indies Alumina Company (WINDALCO). The tension escalated

on February 28 following an allegation by the company that DaCosta had exposed the handle of his firearm during a stormy meeting. The company requested the intervention of the MOL, claiming that it was no longer prepared to meet with DaCosta. The Ministry convened a meeting between the disputing parties, but it ended in a stalemate after the company's demand to have DaCosta removed as the lead negotiator was rejected. The dispute was resolved only after Prime Minister-designate Portia Simpson-Miller intervened. The record 33-hour meeting, chaired by Simpson-Miller, ended with a settlement similar to that with ALPART. When asked about the role of Simpson-Miller in the negotiations, DaCosta told emboff he was impressed by her mediation skills and in-depth knowledge of the global aluminum industry. He said the settlement had set the stage for a return to normality in the sector, although three companies have yet to conclude agreements. "If her approach is any indication of how she will handle the post of Prime Minister, it augurs well for the country," DaCosta said. However, both parties have yet to sign the agreement, as the trade union is requesting an addendum to protect the union delegates from planned redundancies at the company.

Utilities

¶6. (U) The Mirant-owned Jamaica Public Service Company, which reported profits of USD 23.1 million for 2005, was only able to avert large scale strike action among a cross-section of its workforce after it agreed to the unions' demand for a signing bonus and a 36 percent increase over three years. Technical employees at the company had held a brief strike, but returned to work following the persuasion of their union, which subsequently requested the intervention of the MOL. Cool Petroleum, which recently bought out the business of Shell International, is also involved in what is shaping up to be a major battle with the country's two largest trade unions, the National Workers Union (NWU) and the Bustamante Industrial

Trades Union (BITU). Both unions are accusing Cool of refusing to recognize their representation of the workers despite Cool's decision to continue their employment. The unions have called the company's action "union busting" and have written to the Ministry of Labor requesting intervention. Finally, the Jamaica Association of Local Government Officers has also announced that negotiations for a new contract with the GOJ-owned National Water Commission might be problematic, as the union strives to ensure that their workers get what they deserve.

New Public Sector MOU, But No Wage Freeze

17. (SBU) Public sector workers are also gearing up to battle the GOJ, following the expiration of the MOU on March 31. These workers are anticipating a significant adjustment in their salaries after accepting a wage freeze during the period of high inflation from 2004 until the present. Unions have already indicated their unwillingness to consider a wage component as part of a new MOU. Acting Head of the Fiscal Policy Management Unit at the Ministry of Finance, Courtney Williams, told emboff that while there is no contemplation of a wage freeze, there could be a wage cap. He said increases are expected to be in line with inflation (about 25 percent compounded over the two-year contract period). When asked about the impact of this adjustment on the budget and the possibility of job losses, Williams stated that while the increase would be large in nominal terms, the wage bill would remain relatively stable as a percentage of GDP. Regarding job cuts, Williams suggested that impending retirements and attrition should start the rationalization process. Nevertheless, Williams was quick to point out that the unions were cognizant of the inevitability of downsizing and were therefore pushing for increased training as part of any new MOU.

18. (U) DaCosta, who refers to the MOU as a "Memorandum of Misunderstanding," told emboff that dialogue is essential, but that each partner must be prepared to bring something to the table. He opined that the last MOU should not have included a wage freeze as it runs contrary to market philosophy. DaCosta recognizes that public sector rationalization is required, but notes that the union movement and the GOJ squandered a golden opportunity in 2004 to finally cut the service and create a more efficient public sector. Likewise, in the private sector there has been general wage restraint over the two-year period. With public sector workers set to receive a major adjustment, private sector workers may also agitate for significant increases amidst rising profits. Williams told emboff that he expects private sector agreements to be in the region of 25 to 30 percent over the two-year period and any major deviation from this target could lead to disturbances.

Comment

19. (U) With expectations running high following the generous settlements at high-paying bauxite and utility companies, the foundation might well have been laid for further turbulence during the remainder of 2006. In fact, with so many contracts expiring in 2006 and with inflation fresh in the minds of workers and unions, some negotiations might spill over into 2007. In particular, private sector workers who accepted minor adjustments during two years of relatively high inflation will seek to recover their lost purchasing power. The standoff could become even more intense given that these workers have seen company profits jump during the period. The GOJ is trying to avert any disturbance in the public sector by negotiating a new MOU with a relatively generous wage component, but underpaid civil servants might not be

impressed. This could lead to industrial action unless Simpson-Miller can intervene successfully. With expectations so high - particularly from trade union leaders who have already welcomed her election as a positive for workers - any deviation from this expectation could dent her popularity. End comment.

JOHNSON